

# Seattle Public Utilities

Report to Libraries, Utilities, and  
Center Committee

A Committee of the Seattle City Council

## REPORT ON 2012 AUDITS

July 2, 2013

**MOSS-ADAMS** LLP

Presented by: Laurie Tish and Amy Sutherland



# Scope of our Audits

- Financial Statement audit
  - Management Discussion and Analysis
  - Financial Statements
  - Notes to Financial Statements
- Our responsibility is to express an opinion on the financial statements
  - Presented fairly in all material respects
  - In conformity with generally accepted accounting principles
- Risk based approach focusing on significant systems and accounts
- Audit opinion is used in official statements for bond issuances



# Reports Issued

## Report on financial statements

- Unmodified Opinion for each of the separate statements of Water, Drainage & Wastewater and Solid Waste Funds

## Internal control matters

- No material weaknesses noted as a result of our audits
- Significant deficiency noted related to errors and discrepancies in certain accounts caused by turnover in accounting staff and lack of mitigating controls
- Suggestions for business process improvements in accounting and information technology were provided to management



# Areas of Audit Significance

- Cash and Investments: Earnings and classification
- Utility Plant and Related Accounts: Work order cycle, CIP, capitalized interest, depreciation, overhead charges
- Accounts and Other Receivables
- Bonds and Related Accounts: Issuances and repayments, interest expense, covenant compliance, arbitrage liability, debt defeasance
- Deferred Charges
- Accrued liabilities including environmental remediation liability, pollution remediation obligation and landfill closure/post-closure
- Litigation and Contingencies
- Operations: Retail and wholesale sales, operating expenses, capital and operating contributions and grants
- Net Position Classification
- Management Discussion & Analysis and Note Disclosures



# Required Communications

- Auditor and Management Responsibility under GAAS
- Financial Statement Disclosures
- Significant Accounting Policies (Note 1)
  - No new policies or changes to existing policies
  - Two new accounting standards adopted during the year with some impact to financial statements
- Accounting Estimates – typical for utility industry
  - Unbilled revenue
  - Allowance for doubtful accounts
  - Certain bond related accounts
  - Recovery periods for the cost of plant, capitalized interest
  - Environmental liabilities, litigation, contingencies
  - Landfill closure and postclosure care (Solid Waste)
  - Other post employment benefits, compensated absences



# Required Communications – continued –

- Some adjustments were recorded related to matters identified during interim procedures, additional post-close adjustments provided by management during audit fieldwork
- One proposed adjustment that was passed on by management
  - Water Fund - Habitat Conservation adjustment of \$2.1 million
- Representation letters were obtained from management
- Disagreements with Management – None
- Consultation with Other Accountants - None of which we are aware
- Difficulties Encountered in Performing the Audit – None
- Moss Adams is independent with respect to SPU and the City of Seattle





# Other

- Seattle Public Utilities management and staff across all departments were courteous, responsive and timely with their assistance to our audit team
- All requested schedules and the draft financial statements were accurate (properly supported by source documents and schedules)
- ‘Tone at the Top’ and attitude from management was one of helpfulness, candor, and openness in response to audit requests and discussion points



# QUESTIONS?

